GENERAL SERVICES ADMINISTRATION,
Washington, D.C., June 1, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Subcommittee on Economy in Government, Joint Economic Committee, Washington, D.C.

DEAR MR. CHAIRMAN: This will acknowledge your letter of May 25, 1967, in which you enclosed a letter dated May 23 from G. L. Snider, Director, Federal Marketing, Royal Typewriter Company, Inc.

The basic purpose of Mr. Snider's letter is to question the desirability of the reduction of the Maximum Order Limitation on typewriters contracted for under the Federal Supply Schedule Program. The Maximum Order Limitation contained in the Solicitation for Offers for the new contract period effective July 1, 1967, is $10,000 for Electric Typewriters and $5,000 for Manual Typewriters. This compares with the MOL under the current contracts which is $25,000 for both electric and manual typewriters. Our basis for reducing the MOL on both electric and manual typewriters was predicated on savings effected through definite quantity procurement in excess of the current $25,000 MOL. Our study revealed that on definite quantity procurements during fiscal year 1966 our average savings was 21.3% per machine. This savings was over and above the lowest priced machine, elecrtic and manual, under the quantity discount structure of the Fedreal Supply Schedule contract. In one procurement covering 684 electric sypewriters (which was in excess of the current MOL) the successful bidder was the Royal Typewriter Company at a savings of 33.3% above their lowest schedule quantity price. This represented a total savings on this procurement of $84,006.32.

Since the typewriters procured under Federal Supply Schedule contracts are identical to those available to the commercial trade, the savings realized through definite quantity procurements above the $25,000 MOL dictated the establishment of a lower MOL in order to obtain the demonstrated lower prices on a greater portion of typewriter requirements. Fiscal Year 1966 purchases of typewriters reported by Federal Supply Schedule contractors totaled $23.6 million. Only $1.1 million was purchased on a definite quantity basis over the MOL of $25,000. We anticipate a substantial increase in definite quantity purchases at lower prices as a result of the lower MOL.

We do not believe that the reduced MOL's are unrealistically low. An ordering activity will be able to purchase under any single contract about 27 manual or electric typewriters which will provide adequate flexibility to meet their immediate needs.

The Royal letter infers that higher discounts might be offered under increased MOL's. We had no reason to expect such action since no greater discounts were offered prior to 1963 when the MOL was $75,000. However, during a meeting with FSS representatives on May 8, 1967, Messrs. Lampley and Fabrizio of Royal were invited to submit such an offer for consideration. No such offer has been received to date.

It is true that in some cases foreign typewriters have been purchased under definite quantity procurements. However, awards were made for foreign machines only after the differentials established in Executive Order 10582, which implements the Buy-American Act, were applied in favor of domestic bidders. We have no basis for avoiding a more advantageous method of purchase because of the possibility that foreign products may be offered at low prices.

It is our sincere belief that our decision to reduce the MOL's in order to obtain lower prices through definite quantity procurements was a proper course of action and will result in substantial savings to the Government.

If further information is desired, please let us know.

Sincerely yours,

LAWSON B. KNOTT, Jr., *Administrator.*